

The Influence price, service quality, customer satisfaction and image on customer loyalty on the Lion Air Indonesia airline

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ABSTRACT: *This study aims to determine and analyze the effect of price, service quality, customer satisfaction, and image on customer loyalty with the research object of Lion Air in Indonesia. The type of research is basic research that used 5 variables, that is price, service quality, customer satisfaction, image, and customer loyalty. In this study using primary data by distributing questionnaires online. The sample used in this study were 250 respondents. While the data processing method in this study uses the IBM SPSS and AMOS 22.0 software to perform model tests (measurement models and structural models) and hypothesis testing. The results of this study indicate that price and service quality have a positive and significant effect on customer satisfaction. Customer satisfaction has a positive and significant effect on image. Meanwhile, customer satisfaction and image have no effect on customer loyalty. Service quality has a positive and significant effect on customer loyalty.*

Keywords: *price, service quality, customer satisfaction, image, customer loyalty*

1 INTRODUCTIONS

The aviation industry is a mode of transportation that is considered the lifeblood of a nation's economy. Lion Air is the largest private airline and was born in Indonesia. Lion Air with the tagline "We Make People Fly" which is reflected in its business process. This airline focuses on prices, flight frequency, and an extensive route network throughout Indonesia.

Ticket prices are a very important element and become a consideration for passengers when they choose an airline (Vlachos & Lin, 2014). Affordable prices and the existence of price discounts or price discounts are factors that can lead to passenger satisfaction (Mikulic and Prebezac, 2011). Akamavi et al., (2015) emphasized that price is a determinant of passenger satisfaction. Calisir et al., (2016) said that it was found that price was an antecedent of satisfaction. This shows that affordable ticket prices cause passengers to be more satisfied. Akamavi et al., (2015) found that price has a significant effect on satisfaction. Therefore, the first hypothesis developed is H1: Price has a positive effect on customer satisfaction.

Service quality is an important factor in meeting customer needs and demands (Munusamy et al., 2011). If the service quality of an airline is bad and rude, the customer will be dissatisfied with the air-

line's service (Namukasa 2013). Calisir et al., (2016) and Leonget al., (2015) state that service quality has a positive effect on customer satisfaction. Better service quality must be provided because it is a determinant of customer satisfaction (Cronin, Michael, Brady, & Hult, 2000; Cronin & Taylor, 1992). Customer satisfaction increases profitability, return on investment and market share (Legohérel, 1998; Stevens et al, 1995). The hypothesis can be stated as H2: Service quality has a positive effect on customer satisfaction

Image is an individual's perception of a company that has a significant impact on the progress and growth of the company. Kang and James (2004) state that image is a key asset for any company (Kang and James, 2004). Calisir et al., (2016) stated that customer satisfaction has a positive effect on image. The image of an airline company can enhance the reputation of an airline company. Then the third hypothesis is: H3: Customer Satisfaction has a positive influence on image.

Customer satisfaction is often a determining factor in customer loyalty. Every satisfied customer will come back to the company to repurchase the products / services offered by the company. Akamavi et al., (2015), Forgas et al., (2010) and Namukasa (2013) found that satisfaction has a significant effect on loyalty. Studies have shown that the

higher the customer satisfaction, the higher the re-purchase and customer loyalty towards the company (Davidow, 2003; Ekiz & Arasli, 2007). Research conducted by Leong et al., (2015) revealed that customer satisfaction has a very strong direct impact on customer loyalty. This is in line with Clemes et al., (2008), Nadiri et al. (2008) and Saha & Theingi (2009) on airline companies that every airline passenger is satisfied that they are guaranteed future re-purchases and uphold customer loyalty. The hypothesis that can be developed is H4: Customer Satisfaction has a positive effect on customer loyalty.

A well-known image or image in the minds of customers is a key asset for any company (Kang and James, 2004). Mikuli and Prebe (2011) stated that airline company image is a strong indicator of passenger loyalty. If a customer feels that he has benefited from an airline, then the customer will be more likely to reuse the airline in the future. Calisir et al., (2016) stated that image was found to have a significant positive effect on customer loyalty. The formulation of the hypothesis that can be developed is H5: Image has a positive effect on customer loyalty.

Service quality is the key to the success of a company to achieve customer loyalty. Alnsour et al., (2014) found that every dimension of service quality affects customer loyalty positively. Huang (2009) measures service quality in airlines and it is found that every dimension of service quality except empathy has a significant positive effect on passenger loyalty or customer loyalty. Therefore, the sixth hypothesis developed is H6: Service quality has a positive influence on Customer Loyalty.

This research was conducted referring to research by Calisir et al., (2016) which states that customer satisfaction has no effect on customer loyalty. In the study of Leong et al., (2015) found that customer satisfaction has an effect on customer loyalty. Based on the differences in these results, it is the reason for further research to be carried out by replicating the research model of Calisir et al., (2016) on the Lion Air Indonesia airline. In the study, adding a customer loyalty variable which refers to Arif (2015) which states that service quality is significantly related to customer loyalty. The purpose of this study was to determine the effect of price, service quality, customer satisfaction, and image on customer loyalty at Lion Air Indonesia.

2 RESEARCH METHODS

This type of research is a causal research. The data used are primary data on the population of this study, namely customers who have used Lion Air airline services in the last 2 years, at least 18 years

old and domiciled in Indonesia. The technique used in sampling in this study is non-probability sampling - convenience sampling. There are 271 questionnaires received online, but 250 questionnaires can be processed. Data processing techniques using SEM-AMOS. Measurement of Price (P), Service quality (SA, SB, SC, SD, SE) refers to Calisir et al., 2016. Customer Satisfaction (CS) refers to Lin, Chen, & Chiu, 2010, Image (IM) refers to Tu et al., 2012 and Ofori et al., 2017 and Customer Loyalty (CL) refer to Omoregie et al., 2018.

3 RESEARCH AND DISCUSSIONS

Table 1. The Measurement Model: validity and reliability testing

Variable	Std. Load.	AVE	CR
P1	0.912	0.788	0.799
P2	0.908		
P3	0.869		
P4	0.862		
SA1	0.885	0.778	0.958
SA2	0.877		
SA3	0.886		
SA4	0.865		
SB1	0.861		
SB2	0.873		
SB3	0.859		
SB4	0.859		
SC1	0.887		
SC2	0.878		
SC3	0.878		
SC4	0.863		
SD1	0.885		
SD2	0.883		
SD3	0.894		
SD4	0.886		
SE1	0.866		
SE2	0.875		
SE3	0.875		
SE4	0.908		
SE5	0.891		
SE6	0.98		
SE7	0.87		
CS1	0.867	0.744	0.749
CS2	0.863		
CS3	0.859		
IM1	0.876	0.766	0.749
IM2	0.88		
IM3	0.87		
CL1	0.893	0.785	0.833
CL2	0.871		
CL3	0.899		
CL4	0.87		
CL5	0.897		

The results of the measurement model show the measurement goodness of fit (GFI) index, namely CMIN / DF = 1.421 (Good Fit), RMSEA = 0.041 (Good Fit), GFI = 0.835 (Marginal Fit), TLI = 0.977 (Good Fit), and CFI = 0.979 (Good Fit). A variable measurement indicator is declared valid if the value of the minimum standardized factor loading (λ) or the value of average variance extracted (AVE) is 0.5. Internal consistency variable reliability testing is indicated by the minimum construct reliability (CR) value of 0.7 (Hair et al., 2010). This signifies that the data used in this study has gone through the correct measurement stage, so it is feasible to continue to the hypothesis testing stage.

The structural model suitability test shows the measurement model results show the measurement goodness of fit (GFI) index, namely CMIN / DF = 1.421 (Good Fit), RMSEA = 0.041 (Good Fit), GFI = 0.835 (Marginal Fit), TLI = 0.977 (Good Fit), and CFI = 0.979 (Good Fit).

Table 2. Hypothesis Testing Results

Path	Std. Est.	C.R	P	Remark
$P \rightarrow CS$	0.452	2.454	0.014	supported
$SQ \rightarrow CS$	0.537	2.860	0.004	supported
$CS \rightarrow IM$	0.996	18.823	***	supported
$CS \rightarrow CL$	-3.370	-599	0.549	not supported
$IM \rightarrow CL$	3.491	0.618	0.537	not supported
$SQ \rightarrow CL$	0.854	2.094	0.036	supported

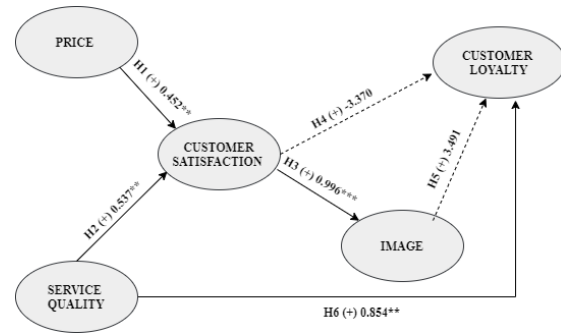
Hypothesis 1 shows that price has a positive and significant effect on customer satisfaction with Lion Air in Indonesia. This is in line with research by Calisir et al., (2016) which states that price affects customer satisfaction. The cheaper the price offered, the more satisfied the customer will be.

Service quality has a positive and significant impact on customer satisfaction (H2) of Lion Air in Indonesia. This is in line with Calisir et al., (2016) which states that service quality has a significant relationship with customer loyalty. If the perceived service is equal to or greater than the expected service, the customer will be satisfied (Gronroos, 1984).

Hypothesis 3 results Customer satisfaction has a positive and significant effect on image on Lion Air airlines in Indonesia. The more satisfied the customer is, the better the image that is formed within the company. This is in line with research conducted by Calisir et al. (2016) which states that customer satisfaction has an effect on image. From this research it is found that the image is described with satisfaction. This means that satisfaction is one of the factors forming the company's image in the minds of customers.

Hypothesis 4 states that customer satisfaction has no effect on customer loyalty on Lion Air in In-

donesia. This is in line with research by Calisir et al., (2016) which states that customer satisfaction has no effect on customer loyalty. The results of these studies differ from the findings of Akamavi et al. (2015), Forgas et al. (2010), and Namukasa (2013) found that satisfaction is significantly related to loyalty. There is no effect of customer satisfaction on customer loyalty due to other factors where customers consider the differences between airline companies, flight routes and regions (Calisir et al., 2016)



** Significant coefficient p-value ≤ 0.05

*** Significant coefficient p-value ≤ 0.01

The figure listed is the standardized estimate

The dashed line is an unsupported hypothesis

Figure 1. The results of the structural model testing

Hypothesis 5 test states that Image has no effect on customer loyalty on Lion Air airlines in Indonesia. This finding is in line with the research of Omoregie et al., (2018). A good company image is not necessarily the reason customers can use the airline's services for a long time. This is because customer needs for these flights are different.

Hypothesis 6 shows that Service quality has a positive and significant effect on customer loyalty for Lion Air in Indonesia. This is in line with the research of Matos and Rossi, (2009) where service quality has been established as a significant determinant of customer loyalty. So it can be said that the quality of service is related to the customer's decision to continue choosing Lion Air as one of the airlines that will be used now and in the future. Omoregie et al, (2018) stated that service quality has a significant effect on customer loyalty.

4 CONCLUSIONS

The conclusion of the study there are 4 supported hypotheses and 2 unsupported hypotheses, as follows: 1. Price affects Customer Satisfaction at Lion Air in Indonesia. 2. Service Quality affects Customer Satisfaction at Lion Air airlines in Indonesia. 3. Customer Satisfaction affects the image of the Lion Air airline in Indonesia. 4. Customer Satisfaction has no effect on Customer Loyalty on Lion Air. 5. Image

is not supported towards Customer Loyalty on Lion Air in Indonesia. 6. Service Quality affects Customer Loyalty on Lion Air airlines in Indonesia.

The suggestions for future research can be carried out on several LCC (Low Cost Carrier) domestic airlines so as to increase the number of research objects. This study only uses 5 variables that are used to determine the effect on customer loyalty, so that it is hoped for further research to add other variables such as trust and perceived value to better understand the effect of customer loyalty.

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